

Shaun M. Cross
Michael Paukert
Gregory J. Arpin
Paine Hamblen LLP
717 W Sprague Ave
Ste 1200
Spokane, WA 99201
(509) 455-6000 Telephone
(509) 838-0007 Facsimile
Attorneys for Debtor

John D. Munding
Crumb & Munding, P.S.
601 W Riverside
Ste 1950
Spokane, WA 99201
(509) 624-6464 Telephone
(509) 624-6155 Facsimile
Attorneys for the Executive
Committee of the
Association of Parishes

The Honorable
Patricia C. Williams
Chapter 11

Joseph E. Shickich, Jr.
George E. Frasier
Riddell Williams P.S.
1001 4th Ave Ste 4500
Seattle WA 98154-1192
(206) 624-3600 Telephone
(206) 389-1708 Facsimile
Attorneys for the Tort
Claimants' Committee

Ford Elsaesser
Elsaesser Jarzabek
Anderson Marks Elliott &
McHugh
123 S Third Street
PO Box 1049
Sandpoint, ID 83864-0855
(509) 263-8517 Telephone
(509) 263-0759 Facsimile
Attorneys for the Executive
Committee of the
Association of Parishes

Gayle E. Bush
Bush, Strout & Kornfeld
601 Union St Ste 5500
Seattle WA 98101-2373
(206) 521-3859 Telephone
(206) 292-2104 Facsimile
Attorneys for the Future
Claims Representative

UNITED STATES BANKRUPTCY COURT
FOR THE EASTERN DISTRICT OF WASHINGTON
AT SPOKANE

In re

THE CATHOLIC BISHOP OF
SPOKANE a/k/a THE CATHOLIC
DIOCESE OF SPOKANE,

Debtor.

Case No. 04-08822-PCW-11

**DEBTOR'S SECOND AMENDED
PLAN OF REORGANIZATION
JOINTLY PROPOSED BY
EXECUTIVE COMMITTEE OF THE
ASSOCIATION OF PARISHES,
DEBTOR, FUTURE CLAIMS
REPRESENTATIVE AND TORT
CLAIMANTS' COMMITTEE**

Dated: March 7, 2007

DEBTOR'S SECOND AMENDED PLAN OF REORGANIZATION
JOINTLY PROPOSED BY AOP, DEBTOR, FCR AND TCC -1
291/526060.82
030707 1145/62174.00001

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**ARTICLE 1
INTRODUCTION**

1.1 The Executive Committee of the Association of Parishes, the Debtor, the Future Claims Representative and the Tort Claimants' Committee propose the following Plan of Reorganization.

1.2 ALL CREDITORS ARE ENCOURAGED TO CONSULT THE DISCLOSURE STATEMENT BEFORE VOTING TO ACCEPT OR REJECT THE PLAN. AMONG OTHER INFORMATION, THE DISCLOSURE STATEMENT CONTAINS DISCUSSIONS OF THE DEBTOR, THE HISTORICAL BACKGROUND OF THE REORGANIZATION CASE AND THE PREPETITION PERIOD, AND A SUMMARY AND ANALYSIS OF THE PLAN. NO SOLICITATION MATERIALS, OTHER THAN THE DISCLOSURE STATEMENT AND RELATED MATERIALS TRANSMITTED THEREWITH, HAVE BEEN AUTHORIZED BY THE BANKRUPTCY COURT FOR USE IN SOLICITING ACCEPTANCES OR REJECTIONS OF THE PLAN.

1.3 The Court has scheduled the Confirmation Hearing for approval of the Plan on _____, 2007.

**ARTICLE 2
DEFINITIONS**

2.1 Definitions. Capitalized terms in this Plan which are not defined in this Article 2 are defined in §§101 and 1101 of the Bankruptcy Code and Bankruptcy Rule 9001.

2.2 Abuse means inappropriate contacts or interactions of a sexual nature between a child and an adult, or a nonconsenting adult and another adult, when the child or nonconsenting adult is being used by the adult as an object of sexual gratification for the adult. A child or nonconsenting adult is abused whether

1 or not this activity involves explicit force, whether or not it involves genital or
2 physical contact, and whether or not there is physical harm to the child or
3 nonconsenting adult. This definition shall not constitute a waiver of any statute of
4 limitations or other defense that would otherwise be available to the Debtor or the
5 Reorganized Debtor under applicable law and the provisions of this Plan with
6 respect to Claims for Abuse that occurred after the Petition Date.

7 2.3 Abused means being subjected to Abuse.

8 2.4 Administrative Expense Claim means a Claim entitled to priority
9 under §507(a)(1) of the Bankruptcy Code, including (a) Claims incurred by Debtor
10 since the Petition Date of a type described in §503(b) of the Bankruptcy Code, (b)
11 all Claims of a Professional Person and (c) all fees and charges assessed against
12 the Estate under 28 U.S.C. §1930.

13 2.5 Allowed Claim means (i) any Claim which has been listed by Debtor
14 in its Schedules, as such Schedules may be amended from time to time in
15 accordance with Bankruptcy Rule 1009, as liquidated in amount and not disputed
16 or contingent and for which no contrary proof of claim has been filed, (ii) any Claim
17 allowed under Article 11 of this Plan, (iii) any Claim which is not a Disputed Claim,
18 (iv) any Ordinary Course Administrative Expense Claim which is not a Disputed
19 Claim, (v) any Claim that is compromised, settled, or otherwise resolved pursuant
20 to the authority granted to the Debtor or the Reorganized Debtor pursuant to a
21 Final Order of the Bankruptcy Court, (vi) any Claim which, if a Disputed Claim, has
22 been allowed by a Final Order, or (vii) any other Claim which has been allowed by
23 a Final Order; provided, however, that any Claim allowed solely for the purpose of
24 voting to accept or reject the Plan pursuant to an order of the Bankruptcy Court
25 shall not be considered an Allowed Claim hereunder. Any party in interest shall
26 have the same right to object to an amendment of Debtor's schedules as to a

1 proof of claim, and any Claim covered by such amendment as to which an
2 objection has been filed shall not become an Allowed Claim until allowed by a
3 Final Order. A reference to a specific class of Claims in conjunction with the word
4 “Allowed” (e.g., Allowed General Unsecured Claim) incorporates this definition of
5 Allowed Claims.

6 2.6 Allowed Future Tort Claim-Extended is defined in Article 11.7.3.1.

7 2.7 Allowed Future Tort Claim-Initial is defined in Article 11.7.2.1.

8 2.8 AOP means the Executive Committee of the Association of Parishes.

9 2.9 Avoidance Actions means any action seeking to avoid any transfer of
10 an interest of Debtor in property, or any obligation incurred by Debtor, that is
11 avoidable pursuant to applicable law and the provisions of the Plan, including
12 without limitation actions pursuant to §§544, 545, and 547-550 of the Bankruptcy
13 Code.

14 2.10 Ballot means the ballot approved by the Bankruptcy Court to
15 accompany the Plan and Disclosure Statement which shall be sent to all Creditors
16 entitled to vote on the Plan.

17 2.11 Ballot Deadline is defined in Article 11.1.1.1.

18 2.12 Bankruptcy Code means Title 11 of the United States Code, 11
19 U.S.C. §§101, et seq., as amended.

20 2.13 Bankruptcy Court means the United States Bankruptcy Court for the
21 Eastern District of Washington.

22 2.14 Bankruptcy Rules means the Federal Rules of Bankruptcy Procedure
23 promulgated under 28 U.S.C. 2075, as amended.

24 2.15 Bar Date means the date established by the Court’s Order Fixing
25 Time For Filing Proofs Of Claim Or Interest, which set March 10, 2006 as the date
26 by which a proof of claim must be filed.

1 2.16 Business Day means any day, other than a Saturday, Sunday or a
2 “legal holiday” (as such term is defined in Bankruptcy Rule 9006(a)).

3 2.17 Cash means United States currency or other immediately available
4 funds denominated in United States currency.

5 2.18 Catholic Entities means any entity in any way related to or affiliated
6 with Debtor which is listed in Schedule 2.18.

7 2.19 Catholic Entity Property is defined in Article 15.3.1.

8 2.20 Claim means “claim” as defined in Bankruptcy Code §101(5).

9 2.21 Claim Payment Date means, as to any Claim, 30 days after the latter
10 of the Effective Date or the date on which such Claim becomes an Allowed Claim.

11 2.22 Class means each of the classifications of Claims and Interests
12 described in Article 4 of the Plan.

13 2.23 Closing Date means the date which is 30 days after the later of (i)
14 the date on which the Confirmation Order was entered or (ii) the date on which any
15 stay of the Confirmation Order entered within 30 days after the date on which the
16 Confirmation Order was entered terminates.

17 2.24 Committees. This term will refer to the TCC and the TLC,
18 collectively.

19 2.25 Confirmation Date means the date on which the Bankruptcy Court
20 enters the Confirmation Order on the Court’s docket.

21 2.26 Confirmation Order means the order of the Bankruptcy Court
22 confirming the Plan pursuant to Bankruptcy Code §1129.

23 2.27 Compromise Fund is defined in Article 11.2.2.

24 2.28 Compromise Process is defined in Article 11.4.

25 2.29 Compromise Tort Claim is defined in Article 11.1.1.

26 2.30 Convenience Fund is defined in Article 11.2.1.

1 2.31 Convenience Process is defined in Article 11.3.

2 2.32 Convenience Tort Claim is defined in Article 11.1.1.

3 2.33 Creditor means “creditor” as defined in Bankruptcy Code §101(10).

4 2.34 Debtor means The Catholic Bishop of Spokane, a/k/a The Catholic

5 Diocese of Spokane, a Washington corporation sole.

6 2.35 Debtor’s Collateral is defined in Article 15.1.1.2.

7 2.36 Debtor’s DOT is defined in Article 15.1.1.1.

8 2.37 Debtor’s Loan Documents is defined in Article 15.1.1.1.

9 2.38 Debtor’s Note is defined in Article 15.1.1.

10 2.39 Declaratory Relief Action means Cause No. 05 CV 00075 JLQ

11 pending before the Honorable Justin L. Quackenbush in District Court.

12 2.40 Deposit and Loan Claims means Parish and Catholic Entity Secured

13 and Unsecured Claims for deposits to Debtor’s Deposit and Loan Fund.

14 2.41 Disallowed means, with respect to a Claim, such Claim or any

15 portion thereof which has been disallowed by a Final Order.

16 2.42 Discharged Claims is defined in Article 20.1.

17 2.43 Disclosure Statement means the Proponents’ Disclosure Statement

18 approved by the Court for submission to Creditors with this Plan.

19 2.44 Disputed Claim means a Claim other than a Tort Claim scheduled as

20 a disputed or contingent Claim, and a Claim other than a Tort Claim for which a

21 proof of claim has been filed and as to which an objection has been or hereafter is

22 timely filed and which objection has not been withdrawn and has not been denied

23 by a Final Order of the Bankruptcy Court.

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26

1 2.45 Disputed Claims Reserve is defined in Article 16.2.

2 2.46 District Court means the United States District Court for the Eastern
3 District of Washington.

4 2.47 DLF Loans is defined in Article 9.1.

5 2.48 Effective Date means the first Business Day on which the conditions
6 specified in Article 19 of the Plan have been satisfied or waived.

7 2.49 Estate means the bankruptcy estate of the Debtor created under
8 Bankruptcy Code §541.

9 2.50 Estate Fund is defined in Article 15.1.2.

10 2.51 Estate's Portion of Catholic Entity Payments is defined in Article
11 15.3.1.

12 2.52 Estate's Portion of Parishes' Notes is defined in Article 15.4.1.

13 2.53 Executory Contract means every unexpired lease and other contract
14 which is subject to being assumed or rejected by the Debtor under Bankruptcy
15 Code §365, pursuant to the Plan or pursuant to separate motion.

16 2.54 FC DOT is defined in Article 15.9.

17 2.55 FC Fund is defined in Article 11.2.3.

18 2.56 FC Loan Documents is defined in Article 15.9.

19 2.57 FC Process is defined in Article 11.7.

20 2.58 FCR Tort Claim means the Tort Claim held by the FCR.

21 2.59 FCR means Gayle E. Bush, the Future Claims Representative
22 appointed by order of the Bankruptcy Court on June 17, 2005.

23 2.60 Final Order means an (i) order or judgment of the Bankruptcy Court
24 or of the District Court as to which the time for appeal has expired without a notice
25 of appeal having been filed or, if a notice of appeal has been filed, as to which
26 such appeal has been finally resolved, or (ii) a final determination by the TCR (in

1 the case of estimation of Matrix Tort Claims, Litigation Tort Claims and
2 Non-Releasing Litigation Tort Claims pursuant to Article 11.2.4, a final
3 determination by the TCR with respect to which a timely motion to review such
4 estimation has not been filed or has been determined by an order or judgment of
5 the Bankruptcy Court or of the District Court as to which the time for appeal has
6 expired without a notice of appeal having been filed or, if a notice of appeal has
7 been filed, as to which such appeal has been finally resolved).

8 2.61 Finally Determined means, with respect to a Claim, a Claim which
9 has been Allowed or Disallowed by a Final Order; and, with respect to a Litigation
10 Tort Claim, a Non-Releasing Litigation Tort Claim or a Future Tort Claim the holder
11 of which has elected to proceed under the FTC Litigation Process, a Claim which
12 has been settled by agreement between the holder of such Claim and the Plan
13 Trustee.

14 2.62 FTC Compromise Process is defined in Article 11.7.2.2.1.

15 2.63 FTC Litigation Process is defined in Article 11.7.2.2.3.

16 2.64 FTC Matrix Process is defined in Article 11.7.2.2.2.

17 2.65 FTC Parish Group 1 is defined in Article 15.9.

18 2.66 FTC Parish Group 2 is defined in Article 15.9.

19 2.67 Intentionally left blank.

20 2.68 Future Claims Commitment is defined in Article 15.9.

21 2.69 Future Tort Claimant means a person (i) who knew that he or she
22 had an incident of sexual contact/touching, sexual abuse, or sexual misconduct by
23 an alleged agent of the Debtor while the person was a minor yet, prior to the Bar
24 Date, failed to make the connection between such incident and injuries arising
25 therefrom, (ii) who, prior to the Bar Date, had not discovered or could not have
26 reasonably discovered that, as a minor, he or she had an incident of sexual

1 contact/touching, sexual abuse, or sexual misconduct by an alleged agent of the
2 Debtor, or (iii) who did not reach the age of eighteen prior to the Bar Date who had
3 claims for sexual abuse by an alleged agent of the Debtor.

4 2.70 Future Tort Claims means Tort Claims held by Future Tort
5 Claimants.

6 2.71 Future Tort Claim-Extended is defined in Article 11.7.3.1.

7 2.72 Future Tort Claim-Initial is defined in Article 11.7.2.1.

8 2.73 General Unsecured Claim means an Unsecured Claim against the
9 Debtor (including, but not limited to, a Claim arising from the rejection of an
10 Executory Contract, a Claim which is the undersecured portion of any Secured
11 Claim, and the Unsecured Claim of Immaculate Heart Retreat Center in the
12 amount of \$1,268), which is not an Administrative Expense Claim, a Priority Tax
13 Claim, a Priority Employee Unsecured Claim, a Priority Unsecured Claim, a
14 General Unsecured Convenience Claim, a Parish and Catholic Entity Secured and
15 Unsecured Claim, a Tort Claim, or a Priest Retirement Claim.

16 2.74 General Unsecured Convenience Claim means a General
17 Unsecured Claim in an amount of \$500 or less, and a General Unsecured Claim of
18 more than \$500 as to which the holder of such Claim irrevocably elects on such
19 holder's Ballot to reduce the amount of such Claim to \$500.

20 2.75 Initial Proportion is defined in Article 11.2.

21 2.76 Insurance Settlements is defined in Article 15.8.

22 2.77 Insurers is defined in Article 15.8.

23 2.78 Insurer Parties is defined in Article 20.4.

24 2.79 Interim Payments is defined in Article 3.1.5.

25 2.80 Litigation Fund is defined in Article 11.2.4.

26 2.81 Litigation Process is defined in Article 11.6.

- 1 2.82 Litigation Tort Claim is defined in Article 11.1.1.1.
- 2 2.83 Matrix Protocol means the Matrix Protocol for Compensation of
- 3 Sexual Abuse Claims attached as Schedule 2.83.
- 4 2.84 Matrix Fund is defined in Article 11.2.4.
- 5 2.85 Matrix Process is defined in Article 11.5.
- 6 2.86 Matrix Tort Claim is defined in Article 11.1.1.1.
- 7 2.87 Non-Releasing Litigation Fund is defined in Article 11.2.4.
- 8 2.88 Non-Releasing Litigation Tort Claim is defined in Article 11.1.1.1.
- 9 2.89 Note 2 Parishes is defined in Article 15.4.3.1.2.
- 10 2.90 Ordinary Course Administrative Expense Claim means any Claim
- 11 described in Bankruptcy Code §503(b) incurred by Debtor in the ordinary course of
- 12 business since the Petition Date.
- 13 2.91 Parish means a Parish listed in Schedule 2.91, including any Parish
- 14 school or other ministry operated by such Parish, and Immaculate Heart Retreat
- 15 Center.
- 16 2.92 Parish and Catholic Entity Secured and Unsecured Claim means any
- 17 Secured or Unsecured Claim held by a Parish or Catholic Entity, except the
- 18 Unsecured Claim of Immaculate Heart Retreat Center in the amount of \$1,268.
- 19 2.93 Parish Collateral is defined in Article 15.4.3.2.
- 20 2.94 Parish Group 1 Collateral is defined in Article 15.9.
- 21 2.95 Parish Group 2 Collateral is defined in Article 15.9.
- 22 2.96 Parish Entity is defined in Article 15.4.1.
- 23 2.97 Parish Property is defined in Article 15.4.1.
- 24 2.98 Parishes' Loan Documents is defined in Article 15.4.3.2.
- 25 2.99 Parishes' Notes is defined in Article 15.4.3.1.3.
- 26 2.100 Parishes' Note 1 is defined in Article 15.4.3.1.1.

- 1 2.101 Parishes' Note 2 is defined in Article 15.4.3.1.2.
- 2 2.102 Parish Note 3 is defined in Article 15.4.3.1.3.
- 3 2.103 Parish's DOT is defined in Article 15.4.3.1.2.
- 4 2.104 Participating Catholic Entities means the entities identified on
- 5 Schedule 2.104.
- 6 2.105 Participating Parish means a Parish listed in Schedule 2.105.
- 7 2.106 Payment Agreement is defined in Article 15.9.
- 8 2.107 Permanent Injunction is defined in Article 20.3.
- 9 2.108 Person means "person" as defined in Bankruptcy Code §101(41),
- 10 and all governmental units.
- 11 2.109 Petition Date means December 6, 2004, which is the date the Debtor
- 12 filed a voluntary Chapter 11 petition commencing the Reorganization Case.
- 13 2.110 Petition means the petition by which the Debtor commenced the
- 14 Reorganization Case.
- 15 2.111 Plan means this Plan of Reorganization, and every restatement,
- 16 amendment, or modification thereof, if any.
- 17 2.112 Plan Trust means the trust that will be created under the Plan Trust
- 18 Agreement pursuant to Washington law and the Plan.
- 19 2.113 Plan Trust Agreement means the Plan Trust Agreement in form and
- 20 substance acceptable to Proponents and approved by the Bankruptcy Court in the
- 21 Confirmation Order.
- 22 2.114 Plan Trust Costs and Expenses is defined in Article 11.2.
- 23 2.115 Plan Trustee means the trustee provided for in Article 13.2.
- 24 2.116 Plan Trust Reserve is defined in Article 11.2.
- 25 2.117 Post Confirmation Fees is defined in Article 25.3.
- 26

2.118 Post Petition Abuse Claim means a Claim for Abuse that occurred after the Petition was filed and before the Effective Date.

2.119 Priest Retirement Claims means the legal, equitable and contractual rights of the Priests arising under the Priest Retirement Plan.

2.120 Priest Retirement Plan means the Retirement Plan Agreement for the Priests of the Catholic Diocese of Spokane, as it may be amended from time to time, a copy of which is available from Debtor on request.

2.121 Priority Employee Unsecured Claim means every Unsecured Claim of an employee of the Debtor for wages, salaries, or commissions, including vacation, severance or sick leave pay, which is entitled to priority pursuant to Bankruptcy Code §507(a)(4) and (5).

2.122 Priority Tax Claim means every Unsecured Claim or portion thereof which is entitled to priority pursuant to Bankruptcy Code §507(a)(8).

2.123 Priority Unsecured Claim means an Unsecured Claim entitled to priority pursuant to Bankruptcy Code §507(a)(6) and (7).

2.124 Professional Fees means fees and costs of a Professional Person.

2.125 Professional Person means a person employed pursuant to §§327, 328, and 1103 of the Bankruptcy Code and Bankruptcy Rules 2014.

2.126 Proponents means the AOP, the Debtor, the FCR and the TCC.

2.127 Questionnaire means a questionnaire in the form agreed to by the Proponents and the TLC.

2.128 Release Fund is defined in Article 15.1.2.

2.129 Release of Claims is defined in Article 11.1.1.

2.130 Released Parties is defined in Article 20.3.

2.131 Release Portion of Catholic Entity Payments is defined in Article 15.3.2.

1 2.132 Release Portion of Parishes' Note is defined in Article 15.4.2.

2 2.133 Reorganization Case means the case under Chapter 11 of the
3 Bankruptcy Code which was commenced by the filing of a voluntary Chapter 11
4 petition by the Debtor on the Petition Date.

5 2.134 Reorganized Debtor means the Debtor, from and after the Effective
6 Date.

7 2.135 Responsible Person means a person (i) who was a Priest, an
8 employee or other agent of the Debtor or any Parish at the time such person
9 committed an act of Abuse, or (ii) for whom or for whose actions the Debtor or any
10 Parish was otherwise legally liable at the time of such Abuse.

11 2.136 Section 541 Litigation means Adversary Proceeding No. 05-80038
12 filed by the TLC against the Debtor, the Parishes and other parties on February 4,
13 2005, and Adversary Proceeding No. 04-00291 filed by Michael Shea against the
14 Debtor on December 22, 2004.

15 2.137 Secured Claim means every Claim, the repayment of which is
16 secured by the assets of the Debtor to the extent of the lesser of the value of such
17 security or the amount of the Claim, including any right to setoff asserted by a
18 Creditor that is treated as a Secured Claim under the Bankruptcy Code, except a
19 Parish and Catholic Entity Secured and Unsecured Claim.

20 2.138 Secured Creditor means every Creditor which holds a Secured
21 Claim.

22 2.139 Settled Compromise Tort Claim is defined in Article 11.1.2.

23 2.140 Settled Matrix Tort Claim is defined in Article 11.1.2.

24 2.141 TCC means the Official Committee of Tort Claimants appointed by
25 the U.S. Trustee on December 23, 2004, as reconstituted on February 2, 2005, to
26

1 represent the interests of Tort Claimants who, as of the Date of Filing, had not filed
2 a lawsuit against the Debtor, excluding Future Tort Claimants.

3 2.142 TCR means the Tort Claim Reviewer provided for in Article 13.2.

4 2.143 Termination Reserve is defined in Article 15.5.

5 2.144 TLC means the Official Committee of Tort Litigants appointed by the
6 U.S. Trustee on February 2, 2005, to represent the interests of all persons who
7 had asserted a Tort Claim against the Debtor and who had filed a lawsuit against
8 the Debtor, as of the Date of Filing.

9 2.145 Tort Claim means all Claims related to or arising out of Abuse by a
10 Responsible Person, and shall include all Future Tort Claims.

11 2.146 Tort Claimant means a Person who asserts a Tort Claim, including
12 Future Tort Claimants.

13 2.147 Trust Property is defined in Article 15.1.1.3.

14 2.148 Unsecured Claim means every Claim or portion thereof, regardless
15 of the priority of such Claim, which is not a Secured Claim.

16 **ARTICLE 3**
17 **UNCLASSIFIED CLAIMS**

18 3.1 Administrative Expense Claims. Each holder of an Allowed
19 Administrative Expense Claim shall be paid in full in Cash by the Reorganized
20 Debtor on the Claim Payment Date, except:

21 3.1.1 as otherwise ordered by the Court;

22 3.1.2 an Ordinary Course Administrative Expense Claim shall be
23 deemed allowed in the amount shown in the records of Debtor unless such Claim
24 is a Disputed Claim, and such Claim shall be paid in the ordinary course of
25 business in accordance with the terms and conditions of the particular agreement
26 governing such Claim;

1 3.1.3 a Post Petition Abuse Claim shall be determined, and, if
2 sustained, paid pursuant to applicable non-bankruptcy law.

3 3.1.4 to the extent that a holder of an Allowed Administrative
4 Expense Claim has agreed to a different treatment of such Claim; and

5 3.1.5 in the case of Professional Fees, on the date when the
6 order of the Bankruptcy Court allowing such Claim becomes a Final Order. On or
7 before September 14, 2006, the Debtor made interim payments to Professional
8 Persons pursuant to an Order Granting Motion for Order Establishing Interim Fee
9 Application and Expense Reimbursement Procedure entered by the Bankruptcy
10 Court on February 2, 2005 ("Interim Payments"). To the extent the total payments
11 of Allowed Administrative Expense Claims for Professional Fees incurred on or
12 before the Effective Date of Professional Persons whose employment was
13 approved by the Bankruptcy Court on or before September 14, 2006, and of the
14 person designated in Article 13.2 as the TCR, exceeds the Interim Payments, the
15 amount in excess of the Interim Payments shall reduce pro tanto the amount of the
16 \$48 million Debtor's Note.

17 3.2 Priority Tax Claims. Each holder of an Allowed Priority Tax Claim
18 shall be paid in full in Cash by the Reorganized Debtor, including interest of 5%
19 per annum from the Claim Payment Date, pursuant to the provisions of Bankruptcy
20 Code §1129(a)(9)(C) in equal quarterly installments over a period which begins on
21 the first day of the fourth calendar month after the Claim Payment Date and ends
22 at the end of a six year period from the date of assessment of such Claim.

23 3.3 Unclassified Claims not impaired. Administrative Claims and Priority
24 Tax Claims are not impaired under the Plan.

25 **ARTICLE 4**
26 **CLASSIFICATION OF CLAIMS**

1 4.1 Classification. All Claims against Debtor except Unclassified Claims
2 are classified as set forth in this Article 4. A Claim is in a particular Class only to
3 the extent it qualifies within the definition of such Class and is in a different Class
4 to the extent it qualifies within the definition of such different Class.

5 4.2 Classes. For purposes of the Plan, Claims against the Debtor are
6 hereby classified in the following classes in accordance with Bankruptcy Code
7 §1122(a) as follows:

- 8 4.2.1 Class 1. Priority Employee Unsecured Claims.
9 4.2.2 Class 2. Priority Unsecured Claims.
10 4.2.3 Class 3. Secured Claims.
11 4.2.4 Class 4. General Unsecured Convenience Claims.
12 4.2.5 Class 5. Deposit and Loan Claims and Other Parish and
13 Catholic Entity Secured and Unsecured Claims.
14 4.2.6 Class 6. General Unsecured Claims.
15 4.2.7 Class 7. Tort Claims.
16 4.2.8 Class 8. Priest Retirement Claims.

17 **ARTICLE 5**
18 **TREATMENT OF CLASS 1 CLAIMS**
19 **(PRIORITY EMPLOYEE UNSECURED CLAIMS)**

20 5.1 Distribution. Each holder of an Allowed Priority Employee
21 Unsecured Claim shall be treated by the Reorganized Debtor in accordance with
22 the policies and procedures regarding each item comprising such Claim in effect
23 on the latter of Claim Payment Date or the date which is 30 days after the date on
24 which such Claim would have become matured and liquidated but for the filing of
the Petition.

25 5.2 Impairment. Class 1 Claims are not impaired under the Plan.
26

1 **ARTICLE 6**
2 **TREATMENT OF CLASS 2 CLAIMS**
3 **(PRIORITY UNSECURED CLAIMS)**

4 6.1 Distribution. Each holder of an Allowed Priority Unsecured Claim
5 shall be paid in full in Cash by the Reorganized Debtor on the Claim Payment
6 Date.

7 6.2 Impairment. Class 2 Claims are not impaired under the Plan.

8 **ARTICLE 7**
9 **TREATMENT OF CLASS 3 CLAIMS**
10 **(SECURED CLAIMS)**

11 7.1 Distribution. Each holder of an Allowed Secured Claim shall be paid
12 in full in Cash by the Reorganized Debtor on or before the Claim Payment Date.

13 7.2 Disputed Claims. Notwithstanding the pendency of any appeal to
14 any state or local taxing authorities of a determination of property taxes or
15 assessment on the Petition Date, nothing contained herein will prohibit the Debtor
16 or the Reorganized Debtor from exercising its rights pursuant to Bankruptcy Code
17 §505 and having a Class 3 Claim determined by the Bankruptcy Court to the
18 extent that such Claim is a Disputed Claim.

19 7.3 Retention of Liens. Each Holder of an Allowed Secured Claim shall
20 retain its lien(s) on its security to the extent of its Allowed Secured Claim.

21 7.4 Impairment. Class 3 Claims are not impaired under the Plan.

22 **ARTICLE 8**
23 **TREATMENT OF CLASS 4 CLAIMS**
24 **(GENERAL UNSECURED CONVENIENCE CLAIMS)**

25 8.1 Distribution. Each holder of an Allowed General Unsecured
26 Convenience Claim shall be paid in full in Cash by the Reorganized Debtor on or
before the Claim Payment Date.

8.2 Impairment. Class 4 Claims are not impaired pursuant to the Plan.

ARTICLE 9
TREATMENT OF CLASS 5 CLAIMS
(DEPOSIT AND LOAN CLAIMS AND OTHER PARISH AND CATHOLIC ENTITY
SECURED AND UNSECURED CLAIMS)

9.1 Distribution and Security. On the Effective Date, the Reorganized Debtor shall, without representation or warranty, assign to an entity acceptable to the Proponents, in trust for the benefit of each holder of an Allowed Deposit and Loan Claim, all then outstanding loans payable to the Debtor's Deposit and Loan Fund ("DLF Loans"), subject to the first and second priority security interests granted to the Plan Trustee by the Debtor's Loan Documents and the FC Loan Documents, and shall instruct all obligors on the DLF Loans to make all payments directly to such entity. The Plan Trustee's interest in the DLF Loans and the proceeds thereof shall be senior to the interest(s) of: (a) any beneficial interest of a holder of an Allowed Deposit and Loan Claim in the DLF Loans and proceeds thereof and (b) any holder of a right of setoff. Such entity shall hold all payments received on and proceeds of DLF Loans in trust subject to the Plan Trustee's first and second priority security interests until the date on which the October 1, 2007 \$37 million payment and the December 31, 2007 \$10 million plus interest payment on Debtor's Note are paid in full when due and shall invest such payments in short term obligations of or insured by the United States of America. After the date on which the October 1, 2007 \$37 million payment and the December 31, 2007 \$10 million plus interest payment on Debtor's Note are paid in full when due, such entity shall distribute all then remaining proceeds of DLF Loans to holders of Allowed Deposit and Loan Fund Claims in accordance with an agreement between the Debtor or the Reorganized Debtor and the Parishes and Catholic Entities to be negotiated outside this Plan, and shall continue to hold, collect and distribute the proceeds of the DLF Loans for the benefit of all holders of Allowed Deposit and

1 Loan Claims. The balance due to each holder of an Allowed Deposit and Loan
2 Claim shall be paid in accordance with an agreement between the Debtor or the
3 Reorganized Debtor and the Parishes and Catholic Entities to be negotiated
4 outside this Plan. Allowed Deposit and Loan Claims shall not be paid in full or in
5 part or offset against the DLF Loans or proceeds thereof before the date on which
6 the October 1, 2007 \$37 million payment and the December 31, 2007 \$10 million
7 plus interest payment on Debtor's Note are paid in full when due.

8 9.2 Allowance. All Deposit and Loan Claims listed in Schedule 9.2 shall
9 be allowed in the amount so listed in full on the Effective Date. All other Parish
10 and Catholic Entity Secured and Unsecured Claims, including claims for liens on
11 or otherwise related to the Parish Properties, shall be disallowed in full on the
12 Effective Date.

13 9.3 Impairment. Class 5 Claims are impaired under the Plan.

14 **ARTICLE 10**
15 **TREATMENT OF CLASS 6 CLAIMS**
16 **(GENERAL UNSECURED CLAIMS)**

17 10.1 Distribution. Each holder of an Allowed General Unsecured Claim
18 shall be paid in full in Cash by the Reorganized Debtor in 2 equal installments,
19 plus interest at the rate of 5% per annum from and after the Effective Date, with
20 the first installment to be paid on the later of January 31, 2008 or the first Business
21 Day that is 6 months after the Claim Payment Date, and the second installment to
22 be paid on the later of July 31, 2008 or the first Business Day that is 12 months
after the Claim Payment Date.

23 10.2 Impairment. The Class 6 General Unsecured Claims are impaired
24 under the Plan.

25 **ARTICLE 11**
26 **TREATMENT OF CLASS 7 CLAIMS**
(TORT CLAIMS)

1 11.1 Election of Treatment of Class 7 Claims.

2 11.1.1 Election of Convenience Tort Claim, Compromise Tort
3 Claim, Matrix Tort Claim, Litigation Tort Claim or Non-Releasing Litigation Tort
4 Claim Treatment.

5 11.1.1.1 Election and Release. Each holder of a Class 7 Tort
6 Claim (except the FCR, Future Tort Claimants, Settled Compromise Tort
7 Claimants, and Settled Matrix Tort Claimants) may elect to be treated as a holder
8 of (i) a "Convenience Tort Claim", which is a Tort Claim to be allowed and paid
9 under the Convenience Process, (ii) a "Compromise Tort Claim", which is a Tort
10 Claim to be allowed and paid under the Compromise Process, (iii) a "Matrix Tort
11 Claim", which is a Tort Claim to be allowed and paid under the Matrix Process, (iv)
12 a "Litigation Tort Claim", which is a Tort Claim to be allowed and paid under the
13 Litigation Process, or (v) a "Non-Releasing Litigation Tort Claim", which is a Tort
14 Claim to be allowed and paid under the Litigation Process. Such election shall be
15 made on such holder's Ballot, and, except in the case of an election of
16 Non-Releasing Tort Claim treatment, executing and delivering to Debtor on or
17 before April 13, 2007 (the "Ballot Deadline") a "Release of Claims" in the form
18 incorporated into the Ballot pursuant to which the Tort Claimant releases all
19 Claims against the Parishes, the Catholic Entities (except Morning Star Boys
20 Ranch) and the Insurers in exchange for the treatment of such Claims under this
21 Plan. Notwithstanding the foregoing, if before or after the Effective Date the
22 holder of a Class 7 Tort Claim (except the FCR, Future Tort Claimants, Settled
23 Compromise Tort Claimants and Settled Matrix Tort Claimants) fails to comply with
24 an order of the Bankruptcy Court requiring a sworn oral statement to be given to
25 the person designated in Article 13.2 as the TCR regarding the Abuse suffered by
26 such Claimants, within 30 days after the date set for the taking of such statement

1 (or such later date agreed to by the TCR or set by the Bankruptcy Court), such
2 holder shall be deemed to have elected to be treated as a holder of a
3 Convenience Tort Claim, which deemed election shall be irrevocable, and to have
4 executed and delivered a Release of Claims. Counsel for any Tort Claimant who
5 is required to provide a sworn oral statement shall be provided a copy of the Matrix
6 Protocol before such statement is given.

7 11.1.1.2 Complaint by Litigation Tort Claimant and
8 Non-Releasing Litigation Tort Claimants: Release by Non-Releasing Litigation Tort
9 Claimants. If holder of a Litigation Tort Claim or a Non-Releasing Litigation Tort
10 Claim has not filed a complaint alleging such claim in a court of competent
11 jurisdiction before making an election to be treated as a holder of a Litigation Tort
12 Claim or a Non-Releasing Litigation Tort Claim, such holder must file and serve on
13 the Plan Trustee such a complaint within 60 days after the Effective Date. If a
14 holder of a Litigation Tort Claim does not file such complaint, such holder shall be
15 deemed to have elected to be treated as a holder of a Matrix Tort Claim. If a
16 holder of a Non-Releasing Litigation Tort Claim does not file such complaint, such
17 holder shall be deemed to have conditionally elected to be treated as a holder of a
18 Matrix Tort Claim. To complete such conditional election, such holder must
19 execute and deliver to the Debtor a Release of Claims within 60 days after the
20 Effective Date. Debtor shall give such holder notice within 15 days after the
21 Effective Date of such conditional election and his or her right to complete such
22 conditional election. If such holder does not execute and deliver to the Debtor a
23 Release of Claims within 60 days after the Effective Date, such holder shall be
24 deemed to have elected to be treated as a holder of a Convenience Tort Claim,
25 which election shall be irrevocable, and to have executed and delivered a Release
26 of Claims.

1 11.1.1.3 Amended Election by Holders of Compromise Tort
2 Claims, Matrix Tort Claims, Litigation Tort Claims and Non-Releasing Litigation
3 Tort Claims.

4 11.1.1.3.1 Litigation Tort Claim and Non-Releasing
5 Litigation Tort Claim. At any time prior to earliest of the date on which the Plan
6 Trustee has filed a dispositive motion with respect to, or trial has commenced on,
7 the Claim of a holder of a Litigation Tort Claim or a Non-Releasing Litigation Tort
8 Claim, such holder may amend his or her election to instead elect treatment as the
9 holder of a Convenience Tort Claim, Compromise Tort Claim, or Matrix Tort Claim
10 by delivering a written notice of such election (and in the case of a holder of a
11 Non-Releasing Litigation Tort Claim, a Release of Claims) to the TCR and the
12 Plan Trustee. Any such amended election shall be irrevocable. Except as
13 provided in this Article 11.1.1.3.1, an election of treatment as a holder of a
14 Litigation Tort Claim or a Non-Releasing Litigation Tort Claim is irrevocable. Any
15 such amended election shall be deemed to be a consent to a limitation of the
16 amount of any distribution with respect to such holder's Allowed Claim to the
17 lesser of

18 (a) the portion of the Litigation Fund or
19 Non-Releasing Litigation Fund which bears the same proportion to the total of
20 such Fund as the amount of such holder's Litigation Tort Claim or Non-Releasing
21 Litigation Tort Claim as estimated under Article 11.2.4 bears to the amount of all
22 Litigation Tort Claim or Non-Releasing Litigation Tort Claim as estimated under
23 Article 11.2.4, minus

24 (i) all pre-litigation and
25 litigation Professional Fees and expenses attributable to such Claim which
26 accrued through the date of such amended election, and

1 (ii) the portion of all other Plan
2 Trust Costs and Expenses allocated to the Litigation Fund or the Non-Releasing
3 Litigation Fund which accrued through the date of such amended election which
4 bears the same proportion to all such Plan Trust Costs and Expenses as the
5 amount of such holder's Litigation Tort Claim or Non-Releasing Litigation Tort
6 Claim as estimated under Article 11.2.4 bears to the amount of all Litigation Tort
7 Claim or Non-Releasing Litigation Tort Claim as estimated under Article 11.2.4, or

8 (b) the distribution such holder would
9 have received if such amended election had been such holder's initial election or
10 deemed election, and such holder's Claim had been included in determining the
11 amount of the applicable Fund (e.g., the Matrix Fund in the case of an amended
12 election to be treated as the holder of a Matrix Tort Claim, etc.) under Article 11.2.
13 The amount so determined shall be transferred from the Litigation Fund or the
14 Non-Releasing Litigation Fund to the Fund from which such amended Claim will
15 be paid.

16 11.1.1.3.2 Matrix Tort Claim. At any time prior to
17 final allowance or disallowance of a Matrix Tort Claim, the holder of such Claim
18 may amend his or her election or deemed election to instead elect treatment as
19 the holder of a Convenience Tort Claim or a Compromise Tort Claim by delivering
20 a written notice of such election to the TCR. Any such amended election shall be
21 irrevocable. Except as provided in this Article 11.1.1.3.2, an election or deemed
22 election of treatment as a holder of a Matrix Tort Claim is irrevocable. If the
23 amended Claim is allowed, the allowed amount of such Claim shall be transferred
24 from the Matrix Fund to the Fund from which such amended Claim will be paid.

25 11.1.1.3.3 Compromise Tort Claim. At any time
26 prior to final allowance or disallowance of a Compromise Tort Claim, the holder of

1 such Claim may amend his or her election to instead elect treatment as the holder
2 of a Convenience Tort Claim by delivering a written notice of such election to the
3 TCR. Any such amended election shall be irrevocable. Except as provided in this
4 Article 11.1.1.3.3, an election of treatment as a holder of a Compromise Tort Claim
5 is irrevocable. If the amended Claim is allowed, the allowed amount of such Claim
6 shall be transferred from the Compromise Fund to the Convenience Fund.

7 11.1.1.4 Deemed Election of Matrix Tort Claim or
8 Non-Releasing Litigation Tort Claim Treatment. Each holder of a Class 7 Tort
9 Claim (except the FCR, Future Tort Claimants, Settled Compromise Tort
10 Claimants, Settled Matrix Tort Claimants and Non-Releasing Litigation Tort
11 Claimants) who does not elect to be treated as a holder of a Convenience Tort
12 Claim, a Compromise Tort Claim, a Matrix Tort Claim or a Litigation Tort Claim by
13 making such election on such holder's Ballot and executing and delivering to
14 Debtor on or before the Ballot Deadline a Release of Claims shall be deemed to
15 have conditionally elected to be treated as a holder of a Matrix Tort Claim. To
16 complete such conditional election, such holder must execute and deliver to the
17 Debtor a Release of Claims within 60 days after the Effective Date. Debtor shall
18 give such holder notice within 15 days after the Effective Date of such conditional
19 election and his or her right to complete such conditional election. If such holder
20 does not execute and deliver to the Debtor a Release of Claims within 60 days
21 after the Effective Date, such holder shall be deemed to have elected to be treated
22 as a holder of a "Non-Releasing Litigation Tort Claim", which is a Tort Claim to be
23 allowed and paid under the Litigation Process. A reference to a Litigation Tort
24 Claim does not include a Non-Releasing Litigation Tort Claim.

25 11.1.2 Deemed Election of Settled Compromise Tort Claim or
26 Settled Matrix Tort Claim Treatment. A holder of a "Settled Compromise Tort

1 Claim", which is a Claim settled by Debtor in a stated amount of \$45,000 or less
2 listed on Schedule 11.1.2(a) the settlement of which is approved by the
3 Bankruptcy Court under Bankruptcy Rule 9019, shall be deemed to have elected
4 to be treated under the Compromise Process, and shall be required to execute
5 and deliver to Debtor on or before the Ballot Deadline a Release of Claims. A
6 holder of a "Settled Matrix Tort Claim", which is a Claim settled by Debtor in a
7 stated amount more than \$45,000 listed on Schedule 11.1.2(b), the settlement of
8 which is approved by the Bankruptcy Court under Bankruptcy Rule 9019, shall be
9 deemed to have elected to be treated under the Matrix Process, and shall be
10 required to execute and deliver to Debtor on or before the Ballot Deadline a
11 Release of Claims. A reference to a Compromise Tort Claim or a Matrix Tort
12 Claim does not include a Settled Compromise Tort Claim or a Settled Matrix Tort
13 Claim, respectively. A holder of a Tort Claim listed on Schedules 11.1.2(a) or (b)
14 the settlement of which is not approved by the Bankruptcy Court under Bankruptcy
15 Rule 9019 may elect to be treated under Articles 11.1.1.

16 11.1.3 FCR Tort Claim and Future Tort Claims. The FCR Tort
17 Claim and Future Tort Claims shall be allowed and paid through the FC Process.

18 11.1.4 Combined Voting. For purposes of accepting or rejecting
19 the Plan, all Class 7 Tort Claims shall be treated as a single class.

20 11.2 Allocation of Estate Fund and Release Fund. As soon as practicable
21 after the Effective Date, the Plan Trustee shall establish a reserve ("Plan Trust
22 Reserve") for the costs and expenses of administration of the Plan Trust, including
23 but not limited to fees and expenses, including Professional Fees, of the TCR and
24 Plan Trustee, Post-Confirmation Professional Fees payable by the Plan Trust
25 pursuant to Article 25.3 and reasonable contingencies ("Plan Trust Costs and
26 Expenses"). From time to time thereafter, the Plan Trustee may increase the Plan

1 Trust Reserve. The Plan Trust Reserve shall be funded from the Estate Fund and
2 the Release Fund in proportion to the amount of such Funds, after reduction of the
3 amount of the Estate Fund pursuant to Article 15.1.2 to account for certain
4 payments of Allowed Administrative Expense Claims for Professional Fees ("Initial
5 Proportion"). As soon as practicable after the Effective Date, the balance of the
6 Estate Fund and the Release Fund shall be allocated as follows:

7 11.2.1 Convenience Fund. An amount equal to the sum of all
8 Allowed Convenience Tort Claims, plus a reserve of \$15,000 multiplied by the
9 number of Convenience Tort Claims that have not been Finally Determined, to a
10 fund for payment of the aggregate Allowed Convenience Tort Claims
11 ("Convenience Fund"), charged to the Estate Fund and the Release Fund in
12 accordance with the Initial Proportion.

13 11.2.2 Compromise Fund. An amount equal to the sum of (i) all
14 Allowed Compromise Tort Claims, (ii) all Allowed Settled Compromise Tort Claims,
15 (iii) all Tort Claims listed on Schedule 11.1.2(a) as to which a Bankruptcy Rule
16 9019 proceeding has not been determined by a Final Order, and (iv) the product of
17 \$45,000 multiplied by the number of Compromise Tort Claims that have not been
18 Finally Determined, to a fund for the aggregate Allowed Compromise Tort Claims
19 and Allowed Settled Compromise Tort Claims ("Compromise Fund"), charged to
20 the Estate Fund and the Release Fund in accordance with the Initial Proportion.

21 11.2.3 FC Fund. \$1 million for Allowed Future Tort Claims-Initial
22 ("FC Fund"), charged to the Estate Fund and the Release Fund in accordance with
23 the Initial Proportion.

24 11.2.4 Matrix Fund, Litigation Fund, and Non-Releasing Litigation
25 Fund. The TCR shall estimate the aggregate amount of the Matrix Tort Claims,
26 Litigation Tort Claims and Non-Releasing Litigation Tort Claims by assigning each

1 claim to a tier of the Matrix Protocol and utilizing the mean of the range of values
2 for each claim in such tier, and shall mail a summary of the results of such
3 estimation to all holders of Matrix Tort Claims, Litigation Tort Claims, and
4 Non-Releasing Litigation Tort Claims and to their counsel if such counsel has
5 requested such summary in writing from the TCR. Such estimation shall be
6 reviewable by the Bankruptcy Court only on a motion of any party in interest filed
7 within 10 days after the date such summary is mailed by the TCR, and shall be
8 approved unless the moving party proves that the TCR's estimation in the
9 aggregate constitutes an abuse of discretion. The balance of the Estate Fund, net
10 of the portion of the Plan Trust Reserve, the Convenience Fund, the Compromise
11 Fund, and the FC Fund charged to the Estate Fund, shall be finally and
12 conclusively allocated (i) to a fund for payment of the aggregate Allowed Matrix
13 Tort Claims and Allowed Settled Matrix Tort Claims ("Matrix Fund"), (ii) to a fund
14 for the payment of the aggregate Allowed Litigation Tort Claims ("Litigation Fund"),
15 and (iii) to a fund for the payment of the aggregate Allowed Non-Releasing
16 Litigation Tort Claims ("Non-Releasing Litigation Fund") based on the relative
17 proportions of (a) the sum of all estimated Matrix Tort Claims and all Allowed
18 Settled Matrix Tort Claims, (b) the sum of all estimated Litigation Tort Claims, and
19 (c) the sum of all estimated Non-Releasing Litigation Tort Claims. The balance of
20 the Release Fund, net of the portion of the Plan Trust Reserve, the Convenience
21 Fund, the Compromise Fund, and the FC Fund charged to the Release Fund, shall
22 be finally and conclusively allocated to the Matrix Fund and the Litigation Fund
23 based on the relative proportions of (a) the sum of all estimated Matrix Tort Claims
24 and all Allowed Settled Matrix Tort Claims, and (b) the sum of all estimated
25 Litigation Tort Claims.
26

1 11.2.5 Separate Administration. After the Estate Fund and the
2 Release Fund are allocated to a Fund pursuant to this Article 11.2, such Fund
3 shall be separately administered by the Plan Trustee; and all Plan Trust Costs and
4 Expenses of each such Fund, including costs of litigating or otherwise determining
5 Tort Claims potentially payable from such Fund, shall be borne solely by such
6 Fund; provided, however, that if there is any balance remaining in the Compromise
7 Fund or the Convenience Fund after all Allowed Claims payable from such Fund
8 are paid in full, and all Plan Trust Costs and Expenses of such Fund are paid in
9 full, such balance shall be distributed to the Matrix Fund, the Litigation Fund, and
10 the Non-Releasing Litigation Fund in proportion to the original amount of such
11 Funds; provided further, that if there is any balance remaining in the Litigation
12 Fund or the Non-Releasing Litigation Fund after all Allowed Claims payable from
13 such Fund are paid in full, and all Plan Trust Costs and Expenses of such Fund
14 are paid in full, such balance shall be distributed to the Matrix Fund. If the net
15 proceeds of the liquidation of any item of Trust Property liquidated after allocation
16 to the Matrix Fund, the Litigation Fund, and the Non-Releasing Litigation Fund is
17 different from the fair market value estimated by the Plan Trustee when making
18 such allocation, the difference shall be allocated between such Funds in proportion
19 to the original amount of such Funds after adjustment for any reallocation from the
20 Litigation Fund or the Non-Releasing Litigation Fund to the Matrix Fund under
21 Article 11.1.1.3.1.

22 11.3 Convenience Process.

23 11.3.1 Distribution. Each holder of an Allowed Convenience Tort
24 Claim shall be paid such holder's Allowed Claim in Cash by the Plan Trust from
25 the Convenience Fund on the later of the Claim Payment Date or the date which is
26

1 30 days after the date on which a portion of the Estate Fund and a portion of the
2 Release Fund is allocated to the Convenience Fund.

3 11.3.2 Allowance. A Convenience Tort Claim shall be allowed in
4 the amount of \$15,000 if the TCR determines based on the Tort Claimant's proof
5 of claim in the Bankruptcy Case and, if requested by the TCR, the Tort Claimant's
6 Questionnaire that a preponderance of the evidence shows that the Tort Claimant
7 was Abused. The TCR shall not consider (i) whether the person who Abused the
8 Tort Claimant was a Responsible Person, (ii) any applicable statute of limitations
9 or the passage of time since the date(s) of such Abuse, or (iii) any other defenses
10 of Debtor, in making such determination. The TCR may, however, consider the
11 credibility of the Tort Claimant and the facts alleged in support of the Claim.

12 11.4 Compromise Process.

13 11.4.1 Distribution.

14 11.4.1.1 Allowed Compromise Tort Claims. Each holder of
15 an Allowed Compromise Tort Claim shall be paid the amount of such holder's
16 Allowed Claim in Cash by the Plan Trust from the Compromise Fund on the later
17 of the Claim Payment Date or the date which is 30 days after the date on which a
18 portion of the Estate Fund and a portion of the Release Fund is allocated to the
19 Compromise Fund.

20 11.4.1.2 Allowed Settled Compromise Tort Claims. Each
21 holder of an Allowed Settled Compromise Tort Claim shall be paid in Cash the
22 agreed amount of such holder's Claim set forth in Schedule 11.2.1(a) by the Plan
23 Trust from the Compromise Fund on the later of the Claim Payment Date or the
24 date which is 30 days after the date on which a portion of the Estate Fund and a
25 portion of the Release Fund is allocated to the Compromise Fund.

26 11.4.2 Allowance.

1 11.4.2.1 Compromise Tort Claims. A Compromise Tort
2 Claim shall be allowed if the TCR determines that the Tort Claimant has proved by
3 a preponderance of the evidence that Tort Claimant was Abused by a Responsible
4 Person, and that the Tort Claimant's Abuse would fall within one or more of Tiers
5 1-3 of the Matrix Protocol if the Claim were determined under the Matrix Process.
6 Such Claim shall be allowed in the amount of \$45,000 if the TCR determines by a
7 preponderance of the evidence that the holder of such Claim was a minor at the
8 time of such Abuse, and in the amount of \$30,000 if the TCR determines by a
9 preponderance of the evidence that the holder of such Claim was an adult at the
10 time of such Abuse. The TCR shall not consider any applicable statute of
11 limitations, the passage of time since the date(s) of such Abuse, or any other
12 defenses of Debtor, in making such determinations. The TCR may, however,
13 consider the credibility of the Tort Claimant and the facts alleged in support of the
14 claim.

15 11.4.2.2 Allowed Settled Compromise Tort Claims. A Settled
16 Compromise Tort Claim shall be automatically allowed upon the Effective Date in
17 the amount listed on Schedule 11.1.2(a).

18 11.4.3 Tier 4 Claims. If the TCR determines by a preponderance
19 of the evidence that the Abuse of a Tort Claimant who has elected to be treated as
20 a Compromise Tort Claim would fall within only Tier 4 of the Matrix Protocol if the
21 Claim were determined under the Matrix Process, such Claimant's Claim shall be
22 determined, and, if allowed, paid under the Convenience Process. The allowed
23 amount of such Claim shall be transferred from the Matrix Fund to the
24 Convenience Fund.

25 11.5 Matrix Process.
26

1 11.5.1 Matrix Protocol. The Matrix Protocol shall be implemented
2 and enforced by the Plan Trustee and the TCR as though fully set forth herein.

3 11.5.2 Distribution. Each holder of an Allowed Matrix Tort Claim,
4 and each holder of an Allowed Settled Matrix Tort Claim, shall be paid in Cash by
5 the Plan Trust such holder's pro rata share of the Matrix Fund within 30 days after
6 the later of the date on which all Matrix Tort Claims have been Finally Determined,
7 or the amount of the Matrix Tort Claims has been estimated by a Final Order and
8 the Matrix Fund has been funded.

9 11.5.3 Allowance.

10 11.5.3.1 Settled Matrix Tort Claim. A Settled Matrix Tort
11 Claim shall be automatically allowed upon the Effective Date in the amount set
12 forth in Schedule 11.1.2(b).

13 11.5.3.2 Matrix Tort Claim. A Matrix Tort Claim shall be
14 allowed if the TCR determines that the Tort Claimant has proved by a
15 preponderance of the evidence that the Tort Claimant was Abused by a
16 Responsible Person, and does not find that there is clear, cogent and convincing
17 evidence that the applicable statute of limitations under Chapter 4.16 of the
18 Revised Code of Washington for such Matrix Tort Claim had run on or before
19 December 6, 2004. If a Matrix Tort Claim is allowed, the TCR shall determine the
20 amount of such Tort Claim by assigning such Tort Claim a value pursuant to the
21 Matrix Protocol. The TCR may consider the credibility of the Tort Claimant and the
22 facts alleged in support of the Tort Claim and, in the TCR's sole discretion, reduce
23 or deny the Tort Claim.

24 11.6 Litigation Process.

25 11.6.1 Distribution.

1 11.6.1.1 Allowed Litigation Tort Claim. Each holder of an
2 Allowed Litigation Tort Claim shall be paid in Cash by the Plan Trust such holder's
3 pro rata share of the Litigation Fund within 30 days after of the later of the date on
4 which all Litigation Tort Claims have been Finally Determined, or the amount of the
5 Litigation Tort Claims has been estimated by a Final Order of the TCR and the
6 Litigation Fund has been funded.

7 11.6.1.2 Allowed Non-Releasing Litigation Tort Claim. Each
8 holder of an Allowed Non-Releasing Litigation Tort Claim shall be paid in Cash by
9 the Plan Trust such holder's pro rata share of the Non-Releasing Litigation Fund
10 within 30 days after of the later of the date on which all Non-Releasing Litigation
11 Tort Claims have been Finally Determined, or the amount of the Non-Releasing
12 Litigation Tort Claims has been estimated by a Final Order of the TCR and the
13 Non-Releasing Litigation Fund has been funded.

14 11.6.2 Allowance. Allowance of a Litigation Tort Claim or a
15 Non-Releasing Litigation Tort Claim shall be determined either by a trial of such
16 Tort Claim conducted by a court of competent jurisdiction (in the case of a Tort
17 Claimant who filed a complaint before the Petition Date, the court in which such
18 complaint is pending), or a settlement between the Tort Claimant and the Plan
19 Trustee. Any such Litigation Tort Claim or Non-Releasing Litigation Tort Claim is
20 subject to all defenses, including but not limited to the applicable statute of
21 limitations, available to Debtor. Nothing in this Plan shall affect any right the
22 holder of a Litigation Tort Claim to demand a jury trial under applicable law.

23 11.7 FC Process.

24 11.7.1 FCR Tort Claim. The FCR Tort Claim shall be deemed
25 satisfied when the FC Fund is fully funded and the Future Claims Commitment
26 becomes effective.

1 11.7.2 Allowance and Distribution of Future Tort Claims-Initial.

2 11.7.2.1 Distribution. Each holder of an Allowed Future Tort
3 Claim which is filed on or before the 9th anniversary of the Effective Date ("Future
4 Tort Claim-Initial") shall be paid in full in Cash by the Plan Trust from the FC Fund
5 and the proceeds of the Future Claims Commitment, which upon payment shall
6 become part of the FC Fund, within 30 days after the latter of the date on which
7 such Future Tort Claim-Initial is Finally Determined or the date on which the FC
8 Fund is initially funded with the \$1 million allocation provided for in Article 11.2.3
9 and the Future Claims Commitment becomes effective.

10 11.7.2.2 Allowance. The holder of a Future Tort Claim-Initial
11 may elect to proceed with allowance under the "FTC Compromise Process"
12 (defined below), the "FTC Matrix Process" (defined below) or the "FTC Litigation
13 Process" (defined below) by (i) filing with the TCR a Proof of Claim in the form to
14 be developed and furnished by the TCR which elects the FTC Compromise
15 Process or the FTC Matrix Process, or (ii) filing a complaint in the District Court
16 which elects the FTC Litigation Process. If the Proof of Claim does not elect
17 between the FTC Compromise Process and the FTC Matrix Process, the holder of
18 such Claim shall be deemed to have elected to proceed under the FTC Matrix
19 Process. Except as provided in Articles 11.7.2.2.2(b) and 11.7.2.2.3(b), any such
20 election shall be irrevocable. Each Proof of Claim or District Court complaint by a
21 holder of a Future Tort Claim-Initial must include a Release of Claims. A Future
22 Tort Claim which is filed after the 9th anniversary of the Effective Date shall be
23 allowed or disallowed and paid exclusively under Article 11.7.3. A Future Tort
24 Claim-Initial Allowed under this Article 11.7.2.2 is referred to as an "Allowed Future
25 Tort Claim-Initial."

1 11.7.2.2.1 FTC Compromise Process. In the case
2 of a holder of a Future Tort Claim-Initial who elects to proceed with allowance
3 under the FTC Compromise Process, such Claim shall be allowed in the amount
4 of \$45,000 if the TCR determines that the holder of such Claim has proved by a
5 preponderance of the evidence that the holder of such Claim was Abused as a
6 minor by a Responsible Person, and that the applicable statute of limitations under
7 Chapter 4.16 of the Revised Code of Washington had not begun to run on or
8 before March 10, 2006. The TCR shall not consider any applicable statute of
9 limitations which accrued after, or the passage of time after, March 10, 2006 in
10 making such determination. The TCR may consider the credibility of the Tort
11 Claimant and the facts alleged in support of the Tort Claim.

12 11.7.2.2.2 FTC Matrix Process.

13 (a) Allowance. If a holder of a Future
14 Tort Claim-Initial elects to proceed with allowance under the Matrix Process, such
15 Claim shall be allowed (a) if the TCR determines that the holder of such Claim has
16 proved by a preponderance of the evidence (i) that such holder was Abused by a
17 Responsible Person, and (ii) that the applicable statute of limitations under
18 Chapter 4.16 of the Revised Code of Washington had not begun to run on or
19 before March 10, 2006; and (b) if the TCR does not find that there is clear, cogent
20 and convincing evidence that the applicable statute of limitations under Chapter
21 4.16 of the Revised Code of Washington had run (i) after March 10, 2006, and (ii)
22 before the date the Holder of such Claim filed a Proof of Claim. The TCR shall
23 determine the amount of such Claim by assigning such Claim a value pursuant to
24 the Matrix Protocol. The TCR may consider the credibility of the Tort Claimant and
25 the facts alleged in support of the Tort Claim and, in the TCR's sole discretion,
26 reduce or deny the Tort Claim.

1 (b) Amendment. At any time prior to
2 final allowance or disallowance of a Future Tort Claim-Initial under the FTC Matrix
3 Process, the holder of such Claim may amend his or her election or deemed
4 election to instead elect treatment under the FTC Compromise Process by
5 delivering a written notice of such election to the TCR. Any such amended
6 election shall be irrevocable.

7 11.7.2.2.3 FTC Litigation Process.

8 (a) Allowance. If a holder of a Future
9 Tort Claim-Initial elects to proceed with allowance under the Litigation Process,
10 such Claim shall be determined either by a trial of such Claim conducted by the
11 District Court, or a settlement between the holder of such Claim and the Plan
12 Trustee. Such Future Tort Claim-Initial shall be disallowed unless the holder of
13 such Claim proves by a preponderance of the evidence that the applicable statute
14 of limitations under Chapter 4.16 of the Revised Code of Washington had not
15 begun to run on or before March 10, 2006. Such Claim also is subject to all
16 defenses, including but not limited to the applicable statute of limitations, available
17 to Debtor. Nothing in this Plan shall affect any right the holder of a Future Tort
18 Claim-Initial may have to a jury trial under applicable law.

19 (b) Amendment. At any time prior to
20 the earliest of the date on which the Plan Trustee has filed a dispositive motion
21 with respect to, or trial has commenced on, a Future Tort Claim-Initial being
22 determined under the FTC Litigation Process, the holder of such Claim may
23 amend his or her election to instead elect treatment under the FTC Matrix Process
24 or the FTC Compromise Process by delivering a written notice of such election to
25 the TCR and the Plan Trustee. Any such amended election shall be irrevocable.
26 Any such amended election shall be deemed to be a consent to a reduction of the

1 amount of any distribution with respect to such holder's Allowed Claim by the
2 amount of all pre litigation and litigation Professional Fees and expenses, and all
3 other Plan Trust Costs and Expenses attributable to such Claim which accrued
4 through the date of such amended election.

5 11.7.3 Future Tort Claims-Extended filed after 9th Plan
6 Anniversary.

7 11.7.3.1 Allowance. The holder of a Future Tort Claim which
8 was filed after the 9th anniversary of the Effective Date and on or before the 23rd
9 anniversary of the Effective Date ("Future Tort Claim-Extended") shall have no
10 right to payment or any other right under the preceding provisions of this Plan.

11 The holder of a Future Tort Claim-Extended may proceed only by (i) filing with the
12 Reorganized Debtor a Proof of Claim in the form to be developed and furnished by
13 the Reorganized Debtor, or (ii) filing a complaint in the District Court. Each Proof
14 of Claim or District Court complaint by a holder of a Future Tort Claim-Extended
15 must include a Release of Claims. The Claim of a holder of a Future Tort
16 Claim-Extended shall be determined either by a trial of such Claim conducted by
17 the District Court, or a settlement between the holder of such Claim and the
18 Reorganized Debtor. Such Claim shall be disallowed unless the holder of such
19 Claim proves by a preponderance of the evidence that the applicable statute of
20 limitations under Chapter 4.16 of the Revised Code of Washington had not begun
21 to run on or before March 10, 2006. Such Claim also is subject to all defenses,
22 including but not limited to the applicable statute of limitations, available to Debtor.
23 Nothing in this Plan shall affect any right the holder of a Future Tort
24 Claim-Extended may have to a jury trial under applicable law.

25 11.7.3.2 Payment. After the 9th Anniversary of the Effective
26 Date, the Reorganized Debtor will continue to insure for Tort Claims caused by

1 acts committed on or after February 1, 1989 with Catholic Mutual, its successor, or
2 another insurer, under insurance policies equivalent to its current insurance
3 policies with Catholic Mutual. Except as provided in Article 15.9.2, the holder of an
4 Allowed Future Tort Claim-Extended shall be paid by the Reorganized Debtor
5 solely from the proceeds of such insurance and the obligation of the Reorganized
6 Debtor for Future Tort Claims-Extended shall be without recourse.

7 11.7.4 Future Tort Claims Filed after 23th Plan Anniversary Barred.

8 All Future Tort Claims filed after the 23rd anniversary of the Effective Date shall
9 have no right to payment or any other right under this Plan, and all such Claims
10 shall be discharged under Article 20.1 of the Plan.

11 11.8 Effect of disallowance. If a Tort Claim is Disallowed, the holder of
12 such Claim shall have no further rights against the Debtor, the Reorganized
13 Debtor, the Plan Trust or any Fund.

14 11.9 Succession to Debtor's rights and duties. With the exception of the
15 duties set forth in Article 26, the Plan Trustee with respect to Litigation Tort
16 Claims, Non-Releasing Litigation Tort Claims and Future Tort Claims-Initial the
17 holders of which elect to proceed with allowance under the FTC Litigation Process,
18 the Reorganized Debtor with respect to Future Tort Claims-Extended, and the
19 TCR with respect to all other Tort Claims, shall succeed to all rights and duties of
20 Debtor with respect to such Tort Claims; and shall have complete control of the
21 conduct of all proceedings with respect to such Claims. The Plan Trustee shall
22 have complete control of settlements of Litigation Tort Claims, Non Releasing
23 Litigation Tort Claims and Future Tort Claims-Initial the holders of which elect to
24 proceed with allowance under the FTC Litigation Process. The Reorganized
25 Debtor shall have complete control of settlements of Future Tort Claims-Extended.
26 The TCR shall have no authority to settle other Tort Claims. No one except the

1 holder of the Tort Claim being determined and the TCR, the Plan Trustee or the
2 Reorganized Debtor, as appropriate, (and their counsel) shall have standing to
3 participate in such proceedings; provided that (a) any person may provide
4 information about a Tort Claim and state a position with respect to a Tort Claim to
5 the TCR, the Plan Trustee or the Reorganized Debtor, which information and
6 statement of position shall be transmitted to the affected Tort Claimant, and (b) the
7 TCR, the Plan Trustee or the Reorganized Debtor, in furtherance of the TCR's, the
8 Plan Trustee's, or the Reorganized Debtor's duties and obligations and with due
9 regard to the legitimate interest of a Tort Claimant to have information about his or
10 her identity kept confidential, shall have the absolute right to provide any party in
11 interest with any and all information regarding a Tort Claim that is in the
12 possession, custody or control of the TCR, the Plan Trustee or the Reorganized
13 Debtor, including the Questionnaire and the information constituting Proof of
14 Abuse described below, subject to an agreement with the party in interest to keep
15 such information confidential. The TCR, the Plan Trustee or the Reorganized
16 Debtor, as appropriate, shall give the Claimant notice and an opportunity to object
17 before providing such information, and the decision of the TCR, the Plan Trustee
18 or the Reorganized Debtor, as appropriate, on such objection shall be final and not
19 subject to any appeal, review or protective order. Debtor, the Reorganized Debtor
20 and their counsel shall provide a copy of its complete file with respect to every Tort
21 Claim to the Plan Trustee (with respect to claims to be determined by the Plan
22 Trustee) and to the TCR (with respect to claims to be determined by the TCR),
23 and shall cooperate fully with the TCR and the Plan Trustee as requested by the
24 TCR or the Plan Trustee. The TCC, the TLC and the FCR and their counsel shall
25 cooperate fully with the TCR and the Plan Trustee as requested by the TCR or the
26 Plan Trustee. The expenses for attorneys' fees and costs incurred by Debtor's,